



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Kerrie Romanow
David Sykes

SUBJECT: SEE BELOW

DATE: March 25, 2013

Approved

Date

4/2/13

**SUBJECT: REPORT ON BIDS AND AWARD OF CONTRACT FOR REPAIRS AND
INSTALLATION OF WATER SERVICES AND MAINS: 2013**

RECOMMENDATION

- (a) Report on bids and award of contract for 7146-Repairs and Installation of Water Services and Mains: 2013 to the lowest responsive bidder, San Jose Water Company, for the initial term of May 2013 through May 2015, in an amount not to exceed \$ 2,087,117.
- (b) Approve a resolution authorizing the Director of Environmental Services to exercise two options: one option to extend the term for an additional one-year after the initial term for an amount not to exceed \$1,043,558, and a second option to extend the term for an additional year after the first option year for an amount not to exceed \$1,043,558.

OUTCOME

The award of the 7146-Repairs and Installation of Water Services and Mains: 2013 project will enable the repairs and construction of new and existing water services that will provide a reliable source of water to new and existing customers.

BACKGROUND

The San Jose Municipal Water System (Muni Water) currently utilizes two contracts to accommodate water system maintenance and expansion to the potable water and South Bay Water Recycling distribution systems. The "Emergency and Scheduled Potable and Non-Potable Water System Repairs" contract ("Repairs contract") is utilized to perform needed repairs on existing water infrastructure, such as to repair a water main break. This is currently a 10-year contract which will expire in May 2013. The "Installation of Potable and Non-Potable Water Services and Mains" contract ("Installations contract") is bid annually to obtain contract services

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for the installation of new, small services and appurtenances to the water system, such as the installation of a water service lateral or fire hydrant. Each contract allows all repairs or all new installations to be made by one contractor for the duration of the contract, which increases staff's efficiency and ability to respond to and meet customer needs, as compared to the increased time and administrative support that would be required to process a separate contract for each repair and/or installation.

Prior to the start of the current 10-year Repairs contract, the Installations contract and Repairs contract were awarded as one combined contract. Because the Repairs contract will be expiring, staff has combined the two contracts back into one contract to be awarded to one contractor. It is anticipated that utilizing one contractor for both repair and installation work on the Muni Water and South Bay Water Recycling distribution systems will increase the efficiency of both the staff and the contractor in completing the necessary work.

The repairs and installation work consists of such items as repairing or installing potable and recycled water mains, service laterals, and furnishing and repairing or installing pipes, valves, fittings, and all appurtenances necessary to repair or install service laterals and other minor improvements. The contractor who is awarded the contract is required to respond to emergency repairs within two hours and to effect permanent repairs and/or installations within a 30-calendar day period from the date they are given a design drawing for a particular repair and/or installation. Customers are charged for the installation of their service, including actual costs of construction, fees for new meters, and an engineering/inspection fee. Funds collected from customers are deposited back into the originating fund to achieve full cost recovery.

ANALYSIS

The project was advertised for bid and a total of two bids were received and opened on January 17, 2013 with the following results:

<u>Contractor</u>	<u>City</u>	<u>Bid Amount</u>	<u>Variance Over/(Under)</u>	
			<u>Amount</u>	<u>Percent</u>
Engineer's Estimate	--	\$1,839,012	--	--
San Jose Water Company	San José	\$2,087,117	\$248,105	13.5%
Sanco Pipelines, Inc.	Los Gatos	\$2,219,259	\$380,247	20.7%

Staff determined that the low bid submitted by San Jose Water Company contains an irregularity. However, the irregularity is immaterial because it does not affect the actual amount bid by San Jose Water Company to perform the required work and does not otherwise give the bidder a competitive advantage. Accordingly, staff recommends that the City Council waive the irregularity.

The irregularity is on line item 15 of the "Schedule of Quantities," which is labeled "Emergency Repair Response Labor Mark-up for items #1 - #14." Per the explanation on line item 15, the

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City intended that the bidders would (1) write down the percent markup in the unit/quantity column, and (2) multiply the percent markup times \$400,000 and insert the resulting number in the bid unit price/total column. The "\$400,000" number was selected by staff based on staff's estimate of what the labor costs would be for the items specified in line items #1-#14 of the Schedule of Quantities. Staff intended the "\$400,000" number to be used by all bidders and used the number simply as a mechanism for determining the low bidder.

San Jose Water Company wrote down a 2% markup in the unit/quantity column. However, rather than multiplying the 2% times \$400,000 - which would have resulted in San Jose Water Company inserting \$8,000 in the unit/quantity column - San Jose Water Company multiplied 2% times the total dollar amount of line items 1-14 and inserted the resulting \$17,010 in the unit/quantity column.

Importantly, the bidder's failure to use the \$400,000 figure does not impact the actual cost San Jose Water Company bid to perform any actual emergency repair work. San Jose Water Company bid a 2% markup on the cost of labor and that is the markup the City will pay San Jose Water Company for actual work performed. Again, the \$400,000 was merely used for the purpose of determining a low bidder and did not have any relation to the actual amount the City would pay San Jose Water Company for actual work performed. Moreover, San Jose Water Company was still the low bidder even though it multiplied the 2% by a higher number. Accordingly, the mistake made by San Jose Water Company was immaterial and can be waived as a minor irregularity.

The bid from the second low bidder, Sanco Pipelines, was non-responsive because it failed to provide an "Emergency Repair Response Labor Mark-up" and contained an incorrect calculation for the overhead and profit markup (Line items 57 and 58 of the "Schedule of Quantities") Additionally, Sanco Pipelines did not submit sufficient documentation of meeting the 24-hour emergency repair response experience requirement with its bid. As a result, the bid from Sanco Pipelines is non-responsive.

At the end of the initial two-year contract term, the City will have the option of extending the contract for an additional one-year period and then a second option to extend the contract for an additional one-year period following the first extension. Each option year will be subject to the same terms and conditions of the initial term, except that for each option year an adjustment can be made to the total contract compensation to add an amount not to exceed \$1,043,558, subject to available funding in approved Capital and Operating Budgets. Staff is requesting that the City Council adopt a resolution delegating authority to the Director of Environmental Services to exercise each option. Upon extension of the term of the contract, a contract amendment will be executed to include the compensation adjustment.

Staff is recommending that Council award the contract to the lowest responsive bidder, San Jose Water Company, whose bid has been reviewed, analyzed, and found acceptable.

EVALUATION AND FOLLOW-UP

The project is currently within budget and on schedule. No additional follow up actions with the Council are expected at this time.

PUBLIC OUTREACH/INTEREST

- ✓ **Criterion 1:** Requires Council action on the use of public funds equal to \$1,000,000 or greater. **(Required: Website Posting)**
- ☐ **Criterion 2:** Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City. **(Required: E-mail and Website Posting)**
- ☐ **Criterion 3:** Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by staff, Council or a Community group that requires special outreach. **(Required: E-mail, Website Posting, Community Meetings, Notice in appropriate newspapers)**

This memorandum meets Criterion 1 above; and will be posted to the City's website for the April 16, 2013, Council agenda. To solicit contractors, this project was advertised in the *San José Post Record*, as well as on BidSync.

COORDINATION

This project has been coordinated with Risk Management, the City Manager's Budget Office and the City Attorney's Office. This item is scheduled to be heard at the April 11, 2013 meeting of the Treatment Plant Advisory Committee (TPAC).

FISCAL/POLICY ALIGNMENT

There are no cost implications to the General Fund as a result of this action. This recommendation meets the general principles of the 2012 Mayor's June Budget Message of providing essential public services while valuing financial sustainability and cost recovery.

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COST SUMMARY/IMPLICATIONS

1. AMOUNT OF RECOMMENDATION: \$2,087,117*
2. COST OF PROJECT:
- | | |
|-------------------------------|--------------------|
| Project Delivery | \$90,000 |
| Construction | <u>\$2,087,117</u> |
| TOTAL/REMAINING PROJECT COSTS | \$2,177,117 |
3. SOURCE OF FUNDING: 500 — Water Utility Capital Fund
 512 — San José/Santa Clara Treatment Plant Capital Fund
 513 – ESDESD Non-Personal/Equipment

*Funds collected from customers are deposited back into the originating fund to achieve cost recovery.

BUDGET REFERENCE

The table below identifies the fund and appropriations proposed to fund the contract recommended as part of this memo.

Fund #	Appn. #	Appn. Name	RC #	Total Appn.	Amt. For Contract*	2012-2013 Adopted Capital Budget Page	2012-2013 Adopted Operating Budget Page	Last Budget Action (Date, Ord. No.)
Total Contract Costs					\$1,043,558			
Current Funding Available								
500	4348	Service Installations	017908	\$200,000	\$175,000	V-202		6/19/12, 29102
500	5366	Infrastructure Improvements	030803	\$1,108,000	\$168,558	V-202		10/16/12, 29163
500	5876	System Maintenance & Repair	047133	\$600,000	\$300,000	V-202		6/19/12, 29102
513	0762	ESD Non-Personal/Equipment	600633	\$30,754,290	\$200,000		XI-85	10/16/12, 29163
512	6589	Revised SBAP-SBWR Extension	062873	\$3,787,000	\$200,000	V-148		10/16/12, 29163
Total Current Funding Available				\$36,449,290	\$1,043,558			

*The total contract amount is for \$2,087,117. \$1,043,558 will be funded from existing appropriations in the 2012-2013 Capital and Operating Budgets. The remainder of the contract will be included as part of the 2013-2014 Capital and Operating Budget process, and is subject to the approval of appropriation of funds.

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CEQA

Exempt, File No. PP12-108.

/s/
DAVID SYKES
Director of Public Works

/s/
KERRIE ROMANOW
Director of Environmental Services

For questions please contact Jeff Provenzano, Division Manager, Environmental Services Department, at (408) 277-4218.